



A. JOSEPH DeNUCCI
AUDITOR

The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

ONE ASHBURTON PLACE, ROOM 1819
BOSTON 02108



312066 0281 6455 7

633

(617) 727-6200

GOVERNMENT DOCUMENTS
COLLECTION

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University of Massachusetts
Department of the State Auditor

✓ NO. 95-3004-8

STATE AUDITOR'S
REPORT ON THE ACTIVITIES
OF THE
CHICOPEE HOUSING AUTHORITY
JULY 1, 1993 TO JUNE 30, 1994

OFFICIAL AUDIT REPORT

MAR 1 6 1995

ISSUED BY THE
Department of the State Auditor

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<u>Status of Prior Audit Results:</u> Our prior audit report of the Chicopee Housing Authority (No. 94-3011-8), which covered the period July 1, 1992 to June 30, 1993, noted that the Authority lost approximately \$82,547 in potential rental income because of excessive delays in renting vacant units. Our follow-up review revealed that additional potential rental income of \$76,261 was lost during fiscal year 1994. The Authority stated that it has made significant progress in reducing vacancies due to maintenance turnaround and has been in compliance with the EOCD suggested average of 21 days.	10
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STATE HOUSE, BOSTON 02133

A. JOSEPH DENUCCI
AUDITOR

TEL. (617) 727-2075

95-3004-8

INDEPENDENT AUDITOR'S REPORT

Paul Genest, Sr., Chairman
Chicopee Housing Authority
128 Meetinghouse Road
Chicopee, Massachusetts 01013-1896

We have audited the Chicopee Housing Authority's financial statements for the fiscal year ended June 30, 1994, as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

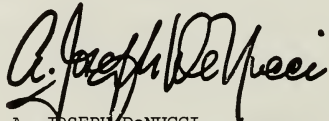
As described in the Notes to Financial Statements, No. 2, the Authority's records are maintained on bases of accounting prescribed by the Commonwealth's

Executive Office of Communities and Development (EOCD) and the U.S. Department of Housing and Urban Development (HUD), which are comprehensive bases of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chicopee Housing Authority as of June 30, 1994, and the results of its operations for the fiscal year then ended, in conformity with the bases of accounting prescribed by EOCD and HUD.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Federal Financial Assistance (Supplementary Schedule) is presented for purposes of additional analysis and is not a required part of the financial statements. The information in the schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

November 18, 1994


A. JOSEPH DeNUCCI
Auditor of the Commonwealth



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STATE HOUSE, BOSTON 02133

A JOSEPH DeNUCCI
AUDITOR

TEL. (617) 727-2075

95-3004-8

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REPORT ON THE INTERNAL CONTROL STRUCTURE

Paul Genest Sr., Chairman
Chicopee Housing Authority
128 Meetinghouse Road
Chicopee, Massachusetts 01013-1896

We have audited the Chicopee Housing Authority's financial statements for the fiscal year ended June 30, 1994 and have issued our report thereon dated November 18, 1994.

We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the Chicopee Housing Authority for the fiscal year ended June 30, 1994, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the Chicopee Housing Authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets

are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles prescribed by the Commonwealth's Executive Office of Communities and Development (EOCD) and the U.S. Department of Housing and Urban Development (HUD). Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purchase of this report, we have classified the significant internal control structure policies and procedures in the following categories:

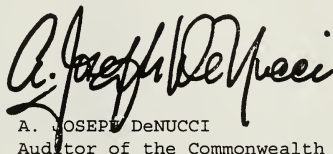
- Cash and cash equivalents
- Receivables
- Inventory
- Property and equipment
- Payables and accrued liabilities
- Debt

For all of the internal control structure categories listed above, we obtained an understanding of the design of the relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the financial statements being

audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the Chicopee Housing Authority's management, EOCD, and HUD. However, this report is a matter of public record, and its distribution is not limited.



A. JOSEPH DeNUCCI
Auditor of the Commonwealth

November 18, 1994



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A. JOSEPH DENUCCI
AUDITOR

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95-3004-8

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REPORT ON COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

Paul Genest, Sr., Chairman
Chicopee Housing Authority
128 Meetinghouse Road
Chicopee, Massachusetts 01013-1896

We have audited the Chicopee Housing Authority's financial statements for the fiscal year ended June 30, 1994 and have issued our report thereon dated November 18, 1994.

We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Chicopee Housing Authority is the responsibility of the Authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the Authority's financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the Chicopee Housing Authority complied, in all material respects, with the

provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Chicopee Housing Authority had not complied, in all material respects, with those provisions.

This report is intended for the information of management, the Commonwealth's Executive Office of Communities and Development, and the U.S. Department of Housing and Urban Development. However, this report is a matter of public record and, its distribution is not limited.

A handwritten signature in black ink, appearing to read "A. Joseph DeNucci". The signature is stylized with a large, looped initial "A" and a long, sweeping underline.

November 18, 1994

A. JOSEPH DeNUCCI
Auditor of the Commonwealth



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AUDITOR OF THE COMMONWEALTH

STATE HOUSE, BOSTON 02133

A. JOSEPH DENUCCI
AUDITOR

TEL (617) 727-2075

95-3004-8

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REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO STATE-AIDED FINANCIAL ASSISTANCE PROGRAMS

Paul Genest, Sr., Chairman
Chicopee Housing Authority
128 Meetinghouse Road
Chicopee, Massachusetts 01013-1896

In connection with our audit of the Chicopee Housing Authority's financial statements for the fiscal year ended June 30, 1994, we have audited the Authority's compliance with the requirements governing types of services, eligibility, reporting requirements, and special tests and provisions that are applicable to each of its state-aided financial assistance programs, which are identified in the Supplementary Information section of this report, for the fiscal year ended June 30, 1994. The management of the Chicopee Housing Authority is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Chicopee Housing Authority complied, in all material respects, with the requirements governing types of services, eligibility, reporting requirements, and special tests and provisions that are applicable to each of its state-aided financial assistance programs for the fiscal year ended June 30, 1994.

This report is intended for the information of management, the Commonwealth's Executive Office of Communities and Development, and the U.S. Department of Housing and Urban Development. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "A. Joseph DeNucci". The signature is stylized with a large, looped initial "A" and a cursive "DeNucci".

November 18, 1994

A. JOSEPH DeNUCCI
Auditor of the Commonwealth

AUDIT RESULTS

Status of Prior Audit Results

Our prior audit report (No. 94-3011-8) on the Chicopee Housing Authority, which covered the period July 1, 1992 to June 30, 1993, indicated that the Authority lost approximately \$82,547 in potential rental income because of excessive delays in renting 115 vacant units. There was a significant decrease in turnover of family units; however, the turnover of elderly units increased.

Our follow-up review revealed that additional potential rental income of \$76,261 was lost during fiscal year 1994, as shown in the following schedule:

<u>State-Aided Program</u>	<u>Number of Units</u>	<u>Total Vacant Days</u>	<u>Days in Excess of EOCD Criteria</u>	<u>Loss in Potential Rental Income</u>
Elderly Housing	95	10,185	8,199	\$58,130
Family Housing	54	3,820	2,686	18,131
	<u>149</u>	<u>14,005</u>	<u>10,885</u>	<u>\$76,261</u>

We noted that the largest increase in potential rental income lost occurred in the elderly housing program and that there was a substantial reduction in losses incurred by the family housing program, as the following table indicates:

<u>State-Aided Program</u>	<u>Potential Rental Income Loss</u>		
	<u>Fiscal Year 1994</u>	<u>Fiscal Year 1993</u>	<u>Increase (Decrease)</u>
Elderly Housing	\$58,130	\$42,443	\$ 15,687
Family Housing	18,131	40,104	(21,973)
	<u>\$76,261</u>	<u>\$82,547</u>	<u>\$ (6,286)</u>

The delays in filling the vacated units in the family units was caused mainly by the extra maintenance work required when renovating family units because of excessive wear and tear historically associated with family housing units.

Recommendation: The Authority should continue its efforts to reduce the turnaround time for vacated unit occupancy and ensure that the reasons for delays over 21 days are documented in the vacancy ledgers, as required by the Commonwealth's Executive Office of Communities and Development.

Auditee's Response:

The Authority has made significant progress in reducing vacancy due to maintenance turnaround and we have been in compliance with the EOCD suggested average of 21 days. The difficulty confronting us with 667 units is the lack of sufficient eligible applicants.

As of June 30, 1994 there were a total of seventeen (17) applicants on our list for one bedroom apartments. Of those seventeen, eight (8) did not respond to offers of units and three (3) refused offers of units. This reduced the number of viable applicants to six (6).

The number of one bedroom vacancies available on June 30, 1994 was forty nine (49). Forty three apartments could not be rented due to the lack of qualified applicants. Although the Authority has conducted considerable outreach to develop a greater number of applicants there are currently several unresolvable factors that diminish the attractiveness of "senior citizen" housing.

FINANCIAL STATEMENTS

Statement No. IRevolving FundBalance Sheet

June 30, 1994

Assets

Cash	\$ 2,848
Accounts Receivable	<u>89,955</u>
Total Assets	<u>\$92,803</u>

Liabilities and Advances

Accounts Payable	\$37,403
Advances	<u>55,400</u>
Total Liabilities and Advances	<u>\$92,803</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. IIState-Aided Program in ManagementBalance Sheet

June 30, 1994

Housing
Program 400Assets

Cash		\$	6,700
Accounts Receivable			106,500
Advances			25,200
Investments			628,402
Fiscal Agent Funds			1,492
Deferred Charges			22,528
Development Costs	\$11,785,000		
Less: Development Cost Liquidation	<u>3,155,000</u>		8,630,000
Completed Modernization Costs			1,558,581
Inventory of Furniture and Equipment			611,778
Total Assets			<u>\$11,591,181</u>

Liabilities and Advances

Accounts Payable	\$	124,666
Accrued Liabilities		9,075
Deferred Charges		12,592
Grants Issued		8,630,000
Cumulative EOCD Modernization Contributions		1,558,581
Surplus		<u>1,256,267</u>
Total Liabilities and Advances		<u>\$11,591,181</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. IIIState-Aided Program in ManagementOperating Statement

Fiscal Year Ended June 30, 1994

	Housing <u>Program 400</u>
Operating Receipts:	
Shelter Rent	\$1,814,467
Nondwelling Rents	2,329
Interest on Investments	22,357
Other Operating Receipts	<u>10,738</u>
Total Operating Receipts	<u>\$1,849,891</u>
Operating Expenditures:	
Administrative	\$ 251,426
Tenant Organization	1,908
Maintenance	508,025
General	336,945
Provision for Operating Reserve	152,536
EOCD-Directed Costs	54,062
Utilities	<u>906,688</u>
Total Operating Expenditures	<u>\$2,211,590</u>
Deficit before Subsidy Earned	\$ 361,699
Operating Subsidy Earned	<u>441,436</u>
Income before Nonroutine Expenditures	\$ 79,737
Nonroutine Expenditures	<u>207,160</u>
Net Deficit	<u>\$ 127,423</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. IVState-Aided Program in ManagementAnalysis of Surplus

Fiscal Year Ended June 30, 1994

Housing
Program 400Valuation of Fixed Assets

Balance June 30, 1993	\$ 566,979
Additions	<u>44,799</u>
Balance June 30, 1994	<u>\$ 611,778</u>

Operating Reserve

Balance June 30, 1993	\$ 545,779
Net Deficit	(127,423)
Provision for Operating Reserve	<u>152,536</u>
Balance June 30, 1994	<u>\$ 570,892</u>

Capital Reserve

Balance June 30, 1993	\$ 73,045
Balance June 30, 1994	<u>\$ 73,045</u>

Unamortized Bond Premium

Balance June 30, 1993	\$ 552
Balance June 30, 1994	<u>\$ 552</u>

Total Surplus	<u><u>\$1,256,267</u></u>
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The accompanying notes are an integral
part of these financial statements.

Statement No. VFederally Aided Programs in ManagementBalance Sheets

June 30, 1994

<u>Assets</u>	<u>Annual Contributions Contract</u>		
	<u>NY-526</u>	<u>B-1120</u>	
	<u>Public</u>	<u>Section 8 Program</u>	
	<u>Housing</u>	<u>Existing</u>	<u>Voucher</u>
Cash	\$ 3,171	\$ 189	-
Accounts Receivable	76,517	11,367	\$ 4,106
Advances	10,200	20,000	-
Investments	663,014	78,547	1,735
Debt Amortization Funds	523,913	-	-
Land, Structures, and Equipment	8,931,498	16,566	-
Deferred Charges	45,145	7,560	238
Undistributed Debits	889	-	-
Total Assets	<u>\$10,254,347</u>	<u>\$134,229</u>	<u>\$ 6,079</u>
 <u>Liabilities and Surplus</u>			
Liabilities:			
Accounts Payable	\$ 148,619	\$ 45,863	\$ 7,777
Notes Payable	727,154	-	-
Accrued Liabilities	34,667	-	-
Deferred Credits	4,789	-	-
Fixed Liabilities	3,597,289	-	-
Total Liabilities	<u>\$ 4,512,518</u>	<u>\$ 45,863</u>	<u>\$ 7,777</u>
Surplus	5,741,829	88,366	(1,698)
Total Liabilities and Surplus	<u>\$10,254,347</u>	<u>\$134,229</u>	<u>\$ 6,079</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. VIFederally Aided Programs in ManagementStatements of Income and Expenses

Fiscal Year Ended June 30, 1994

	<u>Annual Contributions Contract</u>		
	<u>NY-526</u>	<u>B-1120</u>	
	<u>Public Housing</u>	<u>Section 8 Program Existing</u>	<u>Voucher</u>
Operating Income:			
Dwelling Rental	\$ 743,504	-	-
Interest on General Fund Investments	15,548	\$ 463	\$ 21
Interest on Operating Reserve Investments	-	1,569	28
Other Income	4,429	13,164	1
Total Operating Income	<u>\$ 763,481</u>	<u>\$ 15,196</u>	<u>\$ 50</u>
Operating Expenses:			
Administration	\$ 132,854	\$ 233,848	\$ 8,818
Tenant Services	354	-	-
Utilities	413,558	-	-
Ordinary Maintenance and Operation	252,433	-	-
General Expenses	222,082	-	-
Housing Assistance Payments	-	1,549,058	60,559
Total Operating Expenses	<u>\$1,021,281</u>	<u>\$ 1,782,906</u>	<u>\$ 69,377</u>
Net Operating Loss	\$ (257,800)	\$ (1,767,710)	\$ (69,327)
Other (Charges)/Credits:			
Prior Years Adjustments Affecting Residual Receipts	1,042	-	-
Interest on Notes and Bonds Payable	(205,796)	-	-
Loss on Disposal of Nonexpendable Equipment	(4,171)	-	-
Net Loss	<u>\$ (466,725)</u>	<u>\$ (1,767,710)</u>	<u>\$ (69,327)</u>

The accompanying notes are an integral part of these financial statements.

Statement No. VIIFederally Aided Programs in ManagementAnalysis of Surplus

Fiscal Year Ended June 30, 1994

	<u>Annual Contributions Contract</u>		
	<u>NY-526</u>	<u>B-1120</u>	
	<u>Public</u>	<u>Section 8 Program</u>	
	<u>Housing</u>	<u>Existing</u>	<u>Voucher</u>
<u>Unreserved Surplus</u>			
Balance June 30, 1993	\$ (8,299,408)	\$ (19,861,477)	\$ (326,671)
Net Loss	(466,725)	(1,767,710)	(69,327)
Provision for Operating Reserve	(80,466)	18,700	2,237
Provision for Project Account	-	(829,686)	(40,555)
Interest Income Adjustment	-	(577)	(21)
Balance June 30, 1994	<u>\$ (8,846,599)</u>	<u>\$ (22,440,750)</u>	<u>\$ (434,337)</u>
<u>Operating Reserve</u>			
Balance June 30, 1993	\$ 588,687	\$ 107,066	\$ 539
Provision for Operating Reserve	80,466	(18,700)	(2,237)
Operating Subsidy Recapture	36,249	-	-
Balance June 30, 1994	<u>\$ 705,402</u>	<u>\$ 88,366</u>	<u>\$ (1,698)</u>
<u>Project Account Unfunded</u>			
Balance June 30, 1993	-	\$ 3,422,332	\$ 115,065
Provision for Project Account	-	829,686	40,555
Balance June 30, 1994	-	<u>\$ 4,252,018</u>	<u>\$ 155,620</u>
<u>Cumulative Annual Contributions</u>			
Balance June 30, 1993	\$12,153,390	\$ 16,439,145	\$ 211,606
Annual Contributions	361,599	-	-
Operating Subsidy	498,700	-	-
Interest Income Adjustment	-	577	21
Annual Contributions Earned	-	1,749,010	67,090
Balance June 30, 1994	<u>\$13,013,689</u>	<u>\$ 18,188,732</u>	<u>\$ 278,717</u>
<u>Cumulative Modernization Grants</u>			
Balance June 30, 1993	\$ 855,000	-	-
Balance June 30, 1994	<u>\$ 855,000</u>	-	-
<u>Cumulative Donations</u>			
Balance June 30, 1993	\$ 14,337	-	-
Balance June 30, 1994	<u>\$ 14,337</u>	-	-
Total Surplus	<u>\$ 5,741,829</u>	<u>\$ 88,366</u>	<u>\$ (1,698)</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. VIIIFederally Aided ProgramsComputation of Residual Receipts and
Accruing Annual Contributions

Fiscal Year Ended June 30, 1994

Public HousingAnnual Contributions
Contract NY-526Computation of Residual Receipts

Operating Receipts:	
Operating Income	\$ 763,481
Operating Subsidy	498,700
Prior Year's Adjustments Affecting Residual Receipts	1,042
Total Operating Receipts	<u>\$1,263,223</u>
Operating Expenses:	
Operating Expenses	\$1,021,281
Capital Expenditures	161,476
Total Operating Expenses	<u>\$1,182,757</u>
Residual Receipts per Audit	\$ 80,466
Provision for Operating Reserve	(80,466)
Residual Receipts per Authority	<u>-</u>

Computation of Accruing Annual Contributions

Fixed Annual Contributions	<u>\$ 361,599</u>
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The accompanying notes are an integral
part of these financial statements.

Statement No. IXFederally Aided ProgramsComputation of Annual Contributions Earned and
Project Account - Operating Reserve Changes

Fiscal Year Ended June 30, 1994

Section 8 ProgramAnnual ContributionsContract B-1120

	<u>Existing</u>	<u>Voucher</u>
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Maximum Annual Contributions Available

Maximum Annual Contributions Commitment	\$2,578,696	\$107,645
Project Account at Beginning of Year	<u>3,422,331</u>	<u>115,065</u>
Total Annual Contributions Available	<u>\$6,001,027</u>	<u>\$222,710</u>

Annual Contributions Required

Housing Assistance Payments	\$1,549,058	\$ 60,559
Administrative Fees Earned	198,968	6,377
Hard-to-House Fees Earned	135	135
Audit Costs	<u>1,312</u>	<u>40</u>
Total Funds Required	\$1,749,473	\$ 67,111
Less: Project Receipts Other than Annual Contributions	<u>463</u>	<u>21</u>
Total Annual Contributions Required	<u>\$1,749,010</u>	<u>\$ 67,090</u>

Project Account Change

Provision for Project Account	<u>\$ 829,686</u>	<u>\$ 40,555</u>
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Annual Contributions Earned

Lesser of Contributions Available or Contributions Required	<u>\$1,749,010</u>	<u>\$ 67,090</u>
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Operating Reserve Change

Operating Receipts	\$ 15,196	\$ 50
Annual Contributions Earned	<u>1,749,010</u>	<u>67,090</u>
Total Operating Receipts	<u>\$1,764,206</u>	<u>\$ 67,140</u>
Total Operating Expenses	<u>1,782,906</u>	<u>69,377</u>
Provision for Operating Reserve	<u>\$ (18,700)</u>	<u>\$ (2,237)</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. XFederally Aided ProgramsAuthority's Statement and Certification of
Actual Modernization Costs

June 30, 1994

	<u>Program MA 8-906</u>
	<u>Annual Contributions</u>
	<u>Contract NY-526</u>
Funds Approved	\$185,000
Funds Expended	<u>185,000</u>
Excess of Funds Approved	<u>-</u>
Funds Advanced	\$185,000
Funds Expended	<u>185,000</u>
Excess of Funds Advanced	<u>-</u>

The distribution of costs as shown on the Final Statement of Modernization Costs dated January 19, 1993, which accompanied the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the Authority's records.

All modernization costs have been paid, and all related liabilities have been discharged through payment.

The accompanying notes are an integral
part of these financial statements.

Statement No. XIFederally Aided ProgramsAuthority's Statement and Certification of
Actual Modernization Costs

June 30, 1994

	<u>Program MA 8-907Z</u>
	<u>Annual Contributions</u>
	<u>Contract NY-526</u>
Funds Approved	\$500,000
Funds Expended	<u>500,000</u>
Excess of Funds Approved	<u>-</u>
Funds Advanced	\$500,000
Funds Expended	<u>500,000</u>
Excess of Funds Advanced	<u>-</u>

The distribution of costs as shown on the Final Statement of Modernization Costs dated February 22, 1993, which accompanied the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the Authority's records.

All modernization costs have been paid, and all related liabilities have been discharged through payment.

The accompanying notes are an integral
part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

The Chicopee Housing Authority is authorized by and operates under the provisions of Chapter 121B of the Massachusetts General Laws, as amended. The Authority operates and administers low-rent housing programs, which are funded/assisted by the Commonwealth's Executive Office of Communities and Development (EOCD) and the U.S. Department of Housing and Urban Development (HUD). The Authority is governed by five members. (See Organization section of this report.)

All operations and programs for which the Authority has oversight responsibility are included in the Financial Statements section of this report. Oversight responsibility is derived from a number of criteria, including financial interdependency, selection of governing authority, designation of management, ability to influence operations, and accountability for financial matters.

2. Significant Accounting Policies

a. State-Aided Programs: The Chicopee Housing Authority prepares its financial statements for its state-aided programs on the basis of accounting prescribed by EOCD. Under this method of accounting, the Authority's operations are not considered to be self-sustaining, and, therefore, its financial statements do not show provisions for depreciation of structures and equipment. Capital facilities are financed either by grants from the Commonwealth or by debt, which the Commonwealth guarantees and subsidizes. The Authority also receives from the Commonwealth additional subsidies that are applied to deficits.

b. Federally Aided Programs: Financial statements for federally aided housing assistance programs are prepared on the basis of accounting prescribed

by HUD. Under this method of accounting, the Authority's operations are not considered to be self-sustaining, and, therefore, its financial statements do not show provisions for depreciation of structures and equipment. Materials and supplies are expensed to operations or capitalized, as applicable.

3. Pension Plan Obligations

Authority employees participate in the Commonwealth of Massachusetts Contributory Retirement System established under Chapter 32 of the General Laws of Massachusetts. The Authority's annual share of its retirement plan contributions is recognized as an expense in the fiscal year the contribution is made.

4. Operating Reserve Recapture

The Operating Reserve section of the Analysis of Surplus for the NY-526 Federal Public Housing program (Statement No. VII) reflects an operating subsidies recapture for \$36,249. This amount represents Chicopee Housing Authority's share of the lawsuit settlement, Nahro v. Henry Cisneros, U.S. Department of Housing and Urban Development, et al., wherein Nahro "challenged the Department's withholding of operating subsidies between the years 1982 and 1986, under two mechanisms, Target Investments Income (TII) and the recapture of excess operating subsidies."

The settlement provisions continued, ". . . these settlement funds obligated herein will not be included in your Authority's current year operating budgets. However, these amounts must be reflected in the Authority's financial statements in accordance with the Low Rent Accounting Handbook, 7510.1."

SUPPLEMENTARY SCHEDULE

Schedule of Federal Financial Assistance

Fiscal Year Ended June 30, 1994

<u>Department of Housing and Urban Development</u>	<u>Federal CFDA Number¹</u>	<u>Annual Contributions Contract</u>	<u>Federal Assistance Received</u>	<u>Expenditures</u>
Lower income Housing Assistance Program (Major)	14.156	B-1120	\$1,764,206	\$1,782,906
Section 8 Voucher Program (Nonmajor)	14.177	B-1120	67,140	69,377
Public Housing (Major)	14.850	NY-526	860,299	1,544,356
Comprehensive Improvement Assistance Program (Nonmajor)	14.852	NY-526	-	95,603
			<u>\$2,691,645</u>	<u>\$3,492,242</u>

¹Refer to Catalog of Federal Domestic Assistance.



The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

STATE HOUSE, BOSTON 02133

A. JOSEPH DE NUCCI
AUDITOR

TEL. (617) 727-2075

95-3004-8

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REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Paul Genest, Sr., Chairman
Chicopee Housing Authority
128 Meetinghouse Road
Chicopee, Massachusetts 01013-1896

We have audited the Chicopee Housing Authority's financial statements for the fiscal year ended June 30, 1994 and have issued our report thereon dated November 18, 1994. We have also audited the Authority's compliance with requirements applicable to federal financial assistance programs and have issued our report thereon dated November 18, 1994.

We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the Authority's financial statements are free of material misstatement and about whether the Authority complied with laws and regulations, noncompliance with which would be material to a federal financial assistance program.

In planning and performing our audits for the fiscal year ended June 30, 1994, we considered the Authority's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the Authority's financial statements and on its compliance with requirements

applicable to federal financial assistance programs, and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated November 18, 1994.

The management of the Chicopee Housing Authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles prescribed by the Commonwealth's Executive Office of Communities and Development (EOCD) and the U.S. Department of Housing and Urban Development (HUD), and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Financial Statement Captions:

- Cash and cash equivalents
- Receivables
- Inventory
- Equipment
- Payables and accrued liabilities
- Debt

General Requirements:

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements

Specific Requirements:

- Types of services
- Eligibility
- Special reporting
- Cost allocation
- Special requirements - HUD Housing Assistance Programs

Claims for Advances and Reimbursements

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the fiscal year ended June 30, 1994, the Chicopee Housing Authority expended 96 percent of its total federal financial assistance under federal financial assistance programs.

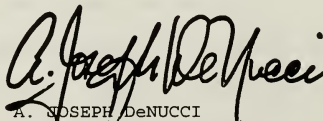
We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or

detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements that are applicable to each of the federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management, EOCd, and HUD. However, this report is a matter of public record, and its distribution is not limited.

November 18, 1994


A. JOSEPH DeNUCCI
Auditor of the Commonwealth



The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

STATE HOUSE, BOSTON 02133

A. JOSEPH DENUCCI
AUDITOR

TEL (617) 727-2075

95-3004-8

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REPORT ON COMPLIANCE WITH GENERAL REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Paul Genest, Sr., Chairman
Chicopee Housing Authority
128 Meetinghouse Road
Chicopee, Massachusetts 01013-1896

We have audited the Chicopee Housing Authority's financial statements for the fiscal year ended June 30, 1994 and have issued our report thereon dated November 18, 1994.

We have applied procedures to test the Chicopee Housing Authority's compliance with the following requirements applicable to each of its federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the fiscal year ended June 30, 1994: political activity, Davis-Bacon Act, civil rights, cash management, allowable costs/cost principles, federal financial reports, Drug-Free Workplace Act, and administrative requirements.

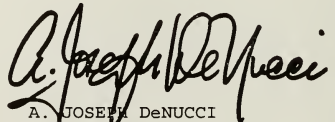
Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments." Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Chicopee Housing Authority's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed

in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Chicopee Housing Authority had not complied, in all material respects, with those requirements.

This report is intended for the information of management, the Commonwealth's Executive Office of Communities and Development, and the U.S. Department of Housing and Urban Department. However, this report is a matter of public record, and its distribution is not limited.

November 18, 1994



A. JOSEPH DeNUCCI
Auditor of the Commonwealth



The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

STATE HOUSE, BOSTON 02133

A JOSEPH DENUCCI
AUDITOR

TEL. (617) 727-2075

95-3004-8

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REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Paul Genest, Sr., Chairman
Chicopee Housing Authority
128 Meetinghouse Road
Chicopee, Massachusetts 01013-1896

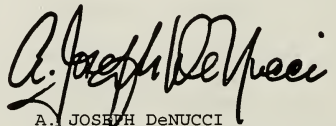
In connection with our audit of the Chicopee Housing Authority's financial statements for the fiscal year ended June 30, 1994, we have audited the Authority's compliance with the requirements governing eligibility, special reporting, contract rents and utility allowances, annual adjustments of contract rents and utility allowances, initial and annual inspection of rental units, types of service, inclusion in construction contracts of a clause prohibiting the use of lead-based paint, procurement actions (i.e., compliance with Section 306 of the Annual Contributions Contract), competitive bidding for each construction and equipment contract over \$10,000, and claims for advances and reimbursements that are applicable to each of its federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the fiscal year ended June 30, 1994. The management of the Chicopee Housing Authority is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with Government Auditing Standards, issued by the Comptroller General of the

United States, and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Chicopee Housing Authority complied, in all material respects, with the requirements governing eligibility, special reporting, contract rents and utility allowances, annual adjustments of contract rents and utility allowances, initial and annual inspection of rental units, types of services, inclusion in construction contracts of a clause prohibiting the use of lead-based paint, procurement actions (i.e., compliance with Section 306 of the Annual Contributions Contract), competitive bidding for each construction and equipment contract over \$10,000, and claims for advances and reimbursements that are applicable to each of its federal financial assistance programs for the fiscal year ended June 30, 1994.

This report is intended for the information of management, the Commonwealth's Executive Office of Communities and Development, and the U.S. Department of Housing and Urban Development. However, this report is a matter of public record, and its distribution is not limited.



A. JOSEPH DeNUCCI
Auditor of the Commonwealth

November 18, 1994

SUPPLEMENTARY INFORMATION

1. Audit Review

At the conclusion of our audit, we reviewed the results of our audit with James P. Lynch, Executive Director of the Chicopee Housing Authority.

2. State-Aided Housing Programs

Tenant Occupancy: As of June 30, 1994 the status of the Authority's state-aided housing programs was as follows:

<u>Program</u>	<u>Type</u>	<u>Number of Units</u>	
		<u>Available</u>	<u>Occupied</u>
400	Family Housing	226	226
	Elderly Housing	<u>590</u>	<u>546</u>
		<u>816</u>	<u>772</u>

3. Federally Aided Housing Programs

The Authority currently administers the following federally aided housing programs:

<u>Program</u>	<u>Type</u>	<u>Number of Units</u>
Section 8	Rental Assistance	393
Public Housing	Family Housing	<u>383</u>
		<u>776</u>

ORGANIZATION

June 30, 1994

The Chicopee Housing Authority is authorized by and operates under the provisions of Chapter 121B of the General Laws, as amended, which is known as the Housing and Urban Renewal Law. James P. Lynch is the Executive Director.

The Authority's office is located at 128 Meetinghouse Road, Chicopee. As of June 30, 1994, the Authority was organized as follows:

Members

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Paul Genest, Sr. 149 Dale Street Chicopee	Chairman	January 1995
Adelle Love 45 Saratoga Avenue Chicopee	Vice-Chairman	January 1999
Bruce E. Socha 149 Labelle Circle Chicopee	Treasurer	March 1996
Thomas Lyons 37 Helen Street Chicopee	Asssistant Treasurer	January 1997
John F. Domingos 23 Northwood Street Chicopee	Member	January 1998

